

ZOOM Corporation

The Fourth Midterm

Business Plan

2024-2026

February 14, 2024

(Note) The statements in this document that refer to the outlook for the future are based on currently available information and on a series of assumptions that our Company deems to be reasonable, and are therefore subject to potential risk factors and uncertainties. Actual results may differ significantly due to different factors.



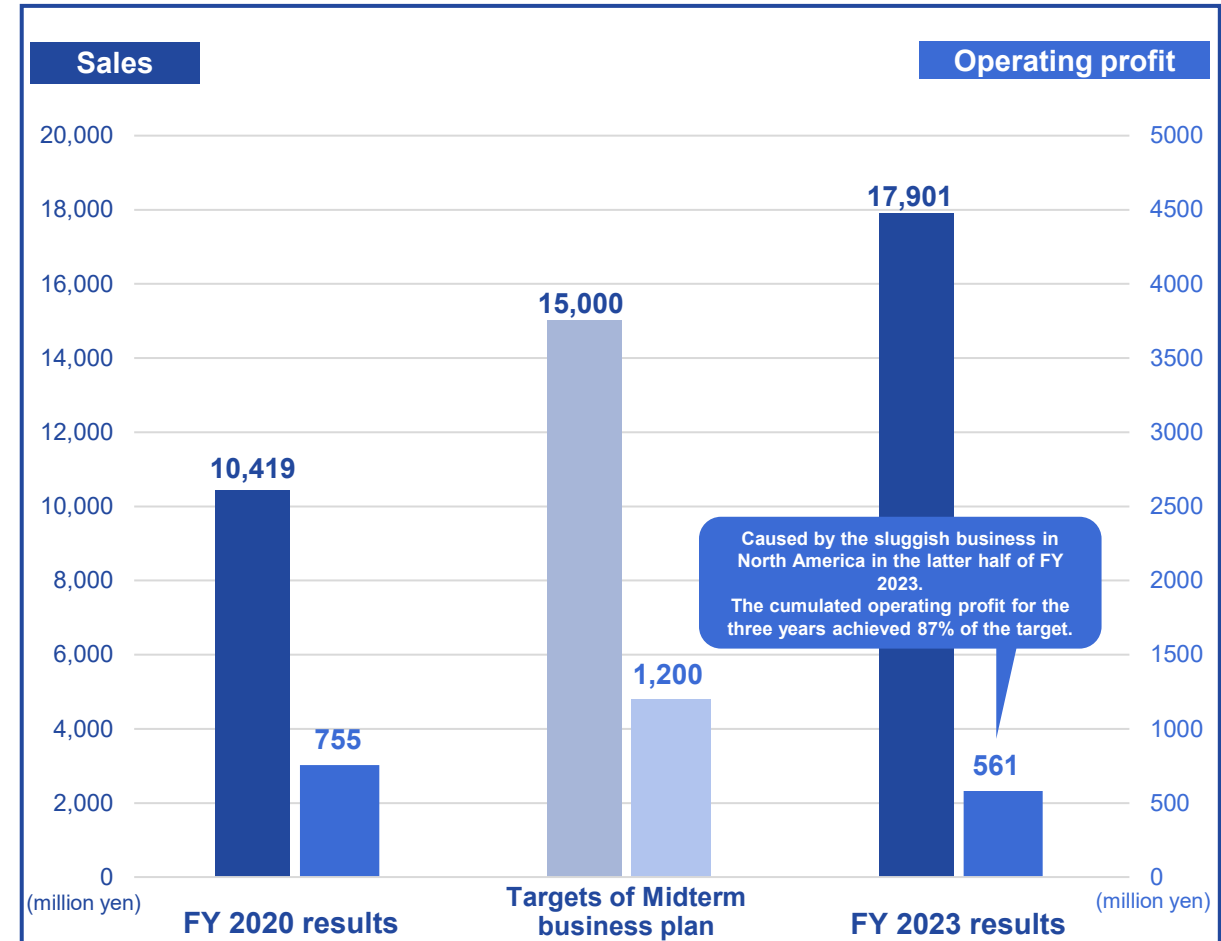
Review of the Third Midterm Business Plan (2021-2023)


Sales significantly exceeded the target, but operating profit did not reach the target.

Priority Strategies

Branding enhancement	Some initiatives were launched, including the creation and sales of apparel and other lifestyle goods, to aim for improving brand awareness through “WE'RE FOR CREATORS.” The Company will continue them in the future as well because there is still room for further enhancement and improvement.
Diversification related to core business	Acquired Mogar (Italy), ZOOM North America (USA), Hookup (Japan) and Sound Service (Germany). Sales in the import agency business accounted for around half of total sales.
Enhancement of products for middle-class clientele	The average price of 18 newly launched products during the period was \$199 (retail price in North America). Many of these products, especially recorders, featured a multilingual menu. Though the 0.1% product defect rate was not met, the Company continues to aim for this achievement in the next three years and has taken actions for improvement to do so.
Risk management	The share of procurement from the Asian region other than China increased from 5% in 2020 to 13% in 2023. The Company will continue to promote the diversification of production countries in the future as well.

Performance Target





The Fourth Midterm Business Plan (2024-2026)

The World ZOOM Aims to Create /Management Vision

In this age of material abundance, we believe that people will be happier when they express their feelings in any form and interact with each other rather than seek ownership or consumption. The connection that artists feel when working with other creatives in any place, whether they are on a stage, in front of a PC, or in a living room, will bring more joy and diversity to our culture. The Company will support this wonderful cycle by developing creative audio instruments and services and taking on new challenges continuously.

The World ZOOM Aims to Create

Any person can be a *Creators*

Creator: A figure of self-fulfillment doing what they like in their sincere way, which contributes to society

Management Vision of the Fourth Midterm Business Plan for approaching the world ZOOM aims to create

Supports self-expression as much as possible through *Evolution and Challenge*

ZOOM's Key Values

New Code of Conduct: Conduct based on altruistic motivation to provide value with dignity for creators

Five Code of Management

- 1 . Distribute proper profits to all stakeholders
- 2 . Contribute to solving social issues through commitment to SDGs
- 3 . Contribute to improvement in people's QOL through sound, music and musical instruments.
- 4 . Aim for a brand that will last for 100 years by following universal principles
- 5 . Do not get involved in the military industry and nuclear industry

Five Code of Product Development

- 1 . Provide professionals and amateurs with motivation to meet their challenges and continue their activities respectively.
- 2 . Incorporate something as the "world's first" in functionality, performance, appearance, operativity, etc.
- 3 . Create products that make even we ourselves feel like using them from users' perspective.
- 4 . Design must be connected with functionality.
- 5 . Create a new market with solution-oriented, opportunity-offering products.

Numerical Targets

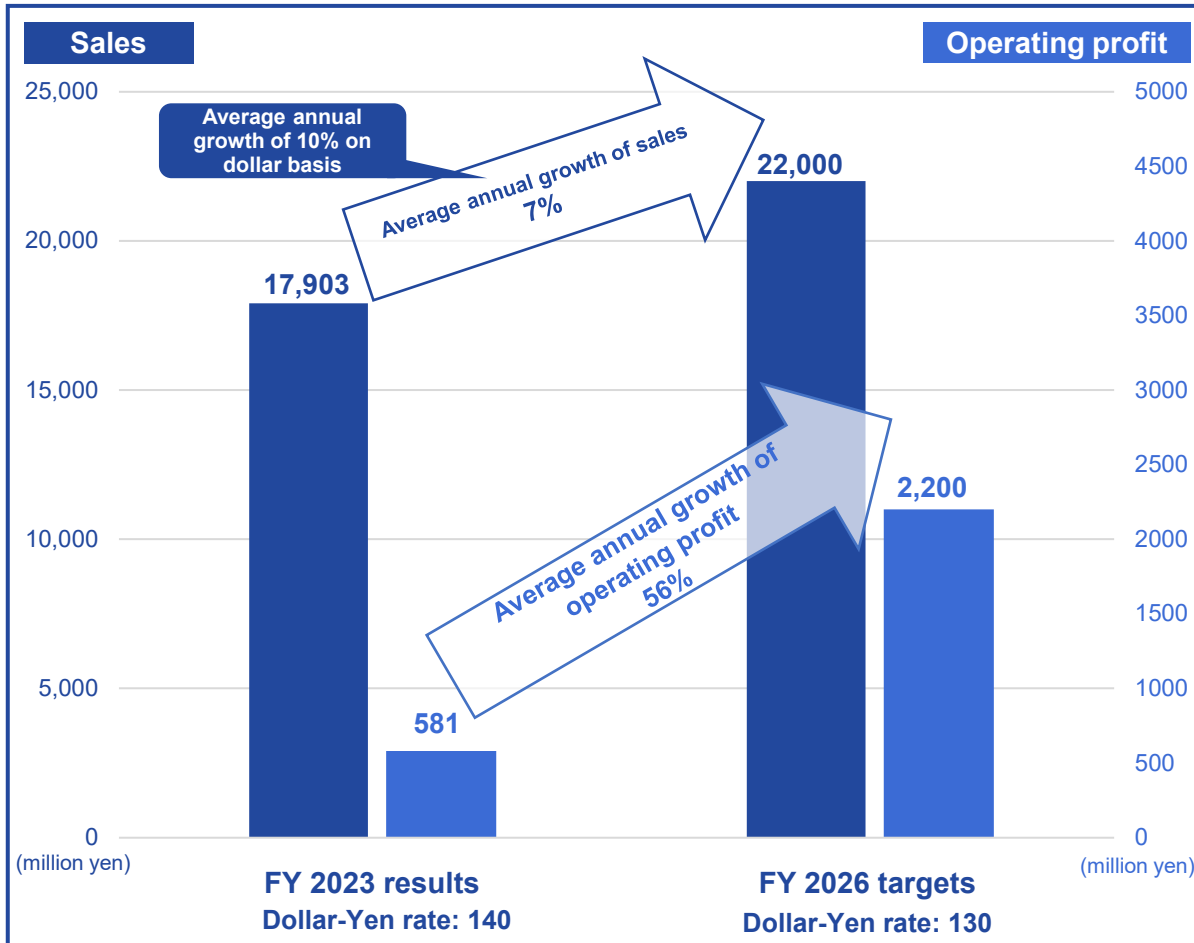
We will continue to promote diversification related to our core business through M&A and focus on the development and sales of attractive products to promote the entire Group's growth.

Therefore, we will aggressively invest in the new technologies of AI and IoT.

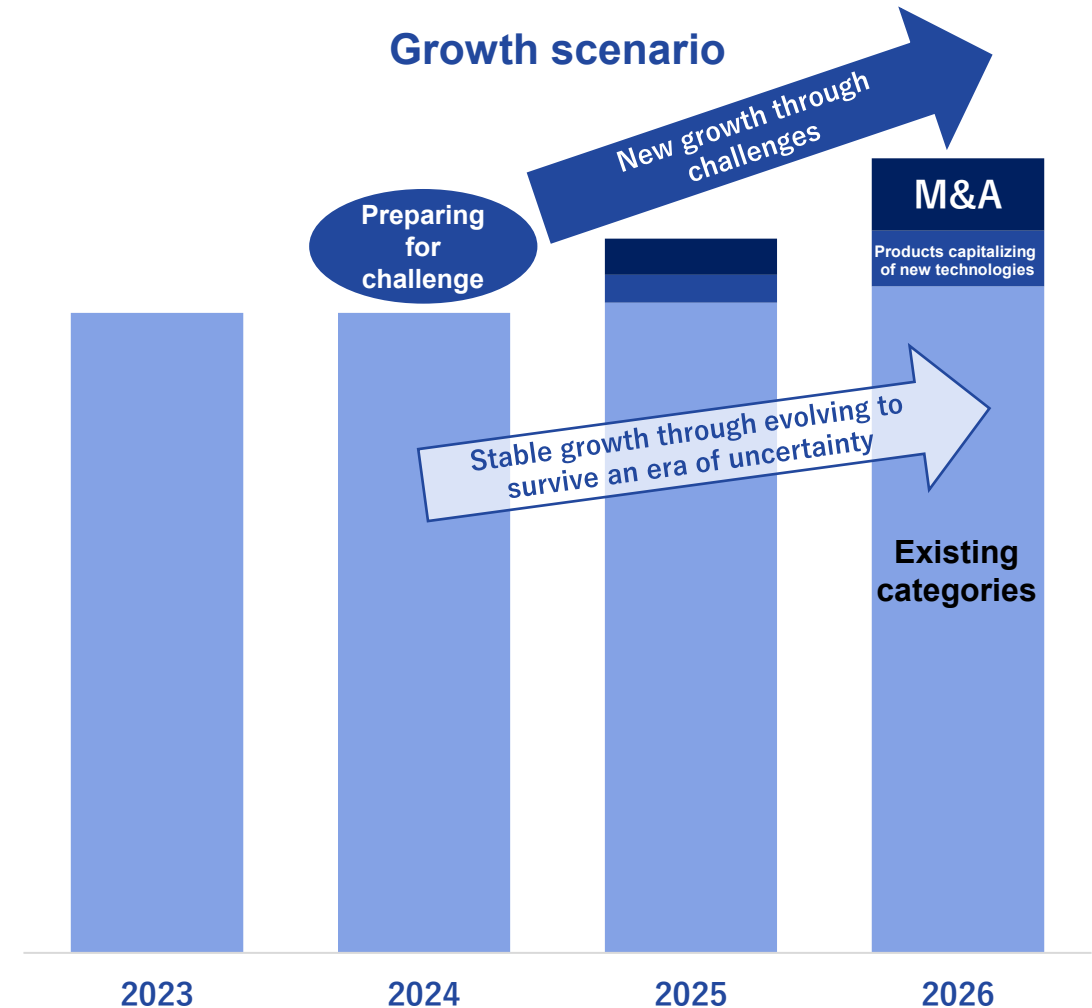
We will also work on the improvement in profitability, distributing the operating cash flow to investment and shareholder returns in a well-balanced way.

Add growth through M&A and new technology

Performance targets



Growth scenario



Improve profitability through increased efficiency

Three measures for efficiency

Improvement in profit margins	Improve profit margins through standardization and optimization of development, as well as cost control with 1 yen in mind, including efficient sales promotion.
Improvement in turnover ratio	Decrease lead time by reducing the delivery time of components and unifying destination countries. Always optimize inventory by accelerating communication with overseas sales subsidiaries further.
Improvement in productivity	Concentrate human capital on evolution and challenge by establishing business operation using AI and DX.(Digital Transformation)

Financial goals

Operating profit margin: 6.7% → **10%** or more

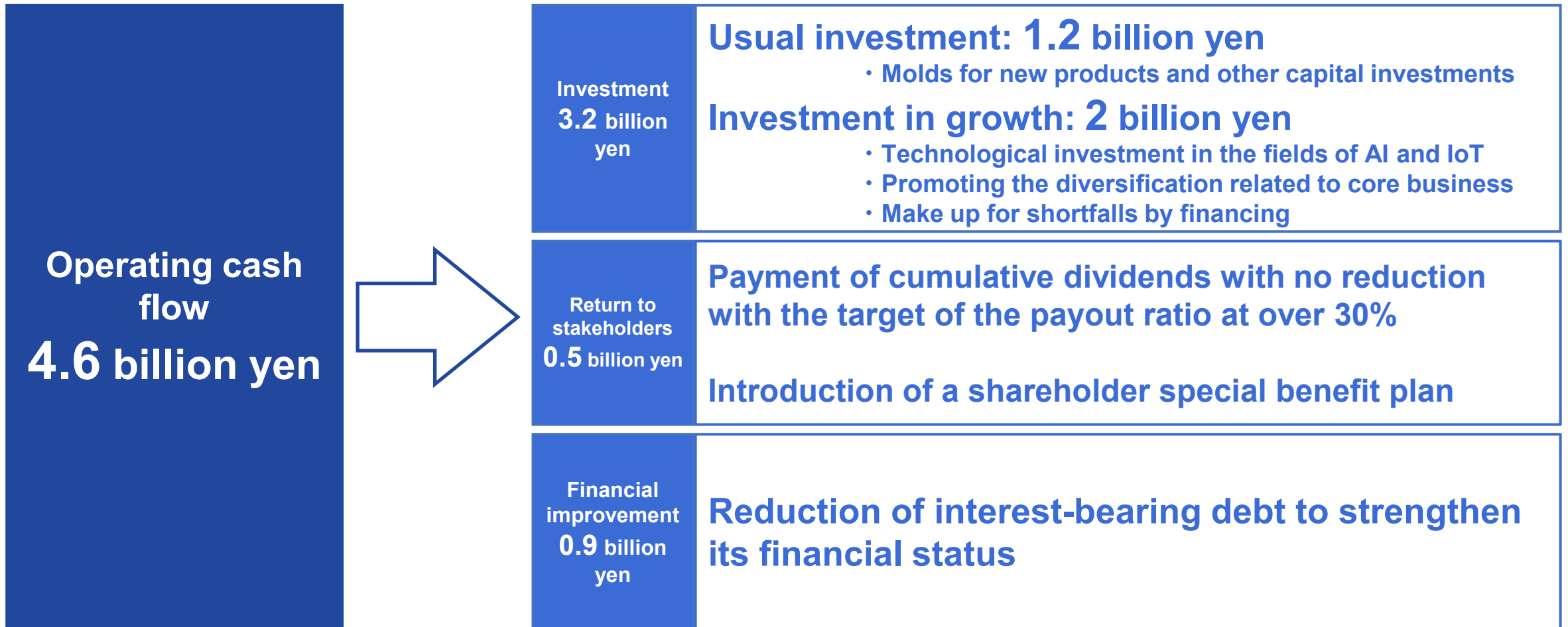
ROE : 5.7% → **10%** or more

ROIC : 6.8% → **10%** or more

PBR : 0.8 times → **1** or more times

Distribute operating cash flow in a well-balanced way

Distribution of operating cash flow (for 3 years)



A person is standing on a rocky shore, looking out at the ocean during a sunset. The sun is low on the horizon, creating a warm, golden glow over the water. The person is in silhouette, and their right arm is slightly extended towards the sea. The overall mood is contemplative and serene.

Opportunity and Uncertainty Surrounding the Company

The circumstances after the COVID-19 pandemic and the rise of generative AI are changing the value and behavior of people.

**And we think that there are opportunities in those circumstances.
However, we should also prepare for growing uncertainty.**

Increased interest in self-expression is our greatest opportunity

Opportunity

<p>Widened and diversified self-expression</p>	<p>It is a time when all people in the world, regardless of whether their countries are developed or not, can transmit their own expression, which boosts interaction among them. The key is “their own style.”</p>
<p>Development of a creator economy</p>	<p>Economic activities in which creators transmit their own expression by themselves and earn revenue are developing. It is forecast that the market size will reach 68 trillion yen (\$480 billion)* in 2027. As of 2023, hundreds of millions of creators are active in the world.</p>
<p>Rising generative AI</p>	<p>AI is lowering the barrier to becoming a creator, improving work efficiency, and creating new opportunities for business improvement.</p>
<p>Improvement in semiconductor shortage</p>	<p>The supply of semiconductors has significantly improved, which has eliminated impact on production time. Costs have been lowered due to the reduced need to make one-time purchases of semiconductors. The cost of components, particularly memory, is also decreasing.</p>

Threats

<p>Uncertainty in business confidence</p>	<p>Particularly among young people in North America, disposable income has decreased because of inflation and rising interest rates. Though inflation is slowing worldwide, the economy's downside risk still remains.</p>
<p>Labor shortage</p>	<p>The jobs-to-applicants ratio is 1.3, which is as high as that during the economic bubble. The population of working age is steadily decreasing.</p>
<p>Geopolitical risk</p>	<p>In the event of a contingency involving Taiwan, if the worst case where a wide range of import to/export from China are banned because of an economic sanction occurs, there would be a significant impact on our purchases.</p>
<p>Competitors</p>	<p>While competitors' entry in the business domain of our Company would revitalize the market, there may be a risk of losing our market share.</p>

* Goldman Sachs Research(2023) The creator economy could approach half-a-trillion dollars by 2027

Strengthen internal cooperation and implement manifold actions

Actions for opportunities

Widened and diversified self-expression	Develop products through which more people can recognize the fun of self-expression, and deliver products that are easy for beginners to use and reasonably priced to more regions widely.
Development of a creator economy	Form a task force comprising cross-sectional members in order to grasp the latest trend of the creative area and approach new creators.
Rising generative AI	While evolving current products with consideration for the impact of generative AI on creators, develop new products and services using AI.
Improvement in semiconductor shortage	Enhance actions for reducing costs of components we presently use. For the development of new products, strengthen the relationship with suppliers by consolidating major components to balance cost reduction and stable supply.

Actions against threats

Uncertainty in business confidence	Utilize efficiency in product development to increase the number of new products with reasonable prices and high profit margins, and functions that users require and expect.
Labor shortage	Increase contacts with students, as well as expanding the scope of new graduate hiring. At the same time, improve the skills of employees by dispatching them to graduate schools, introducing job rotation, and other measures.
Geopolitical risk	Increase the production of new products in Southeast Asia to at least 30%. In addition, develop a business model other than that for hardware sales.
Competitors	Pursue overwhelming differentiation from competitors by grasping the technical and manufacturing trend of latest equipment, including one other than sound devices, and incorporating the world-first elements into all products on an ongoing basis.

Philosophy of Growth Strategies

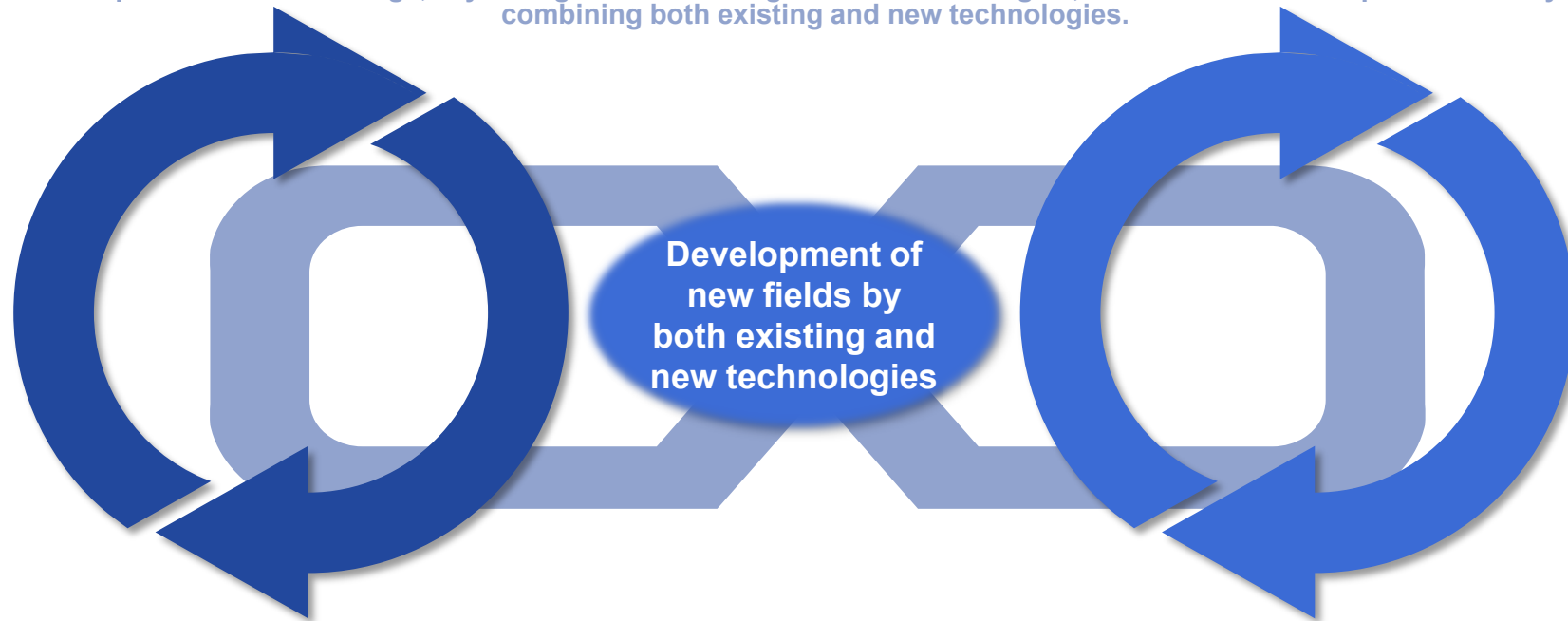
The  at the center of our logo  represents infinity (∞).

We aim to connect two circles that can often conflict with each other in order to create harmonious growth.

We will achieve our sustainable growth by enhancing our strength further and making it more distinctive through the infinity cycles.

Connect the cycle of deepening knowledge and that of exploring knowledge

Integrating the cycle of "exploitation of knowledge," by constantly evolving our main business, and the cycle of "exploration of knowledge," by taking on the challenge of new technologies, enables us to develop new fields by combining both existing and new technologies.



Continued improvement of core business

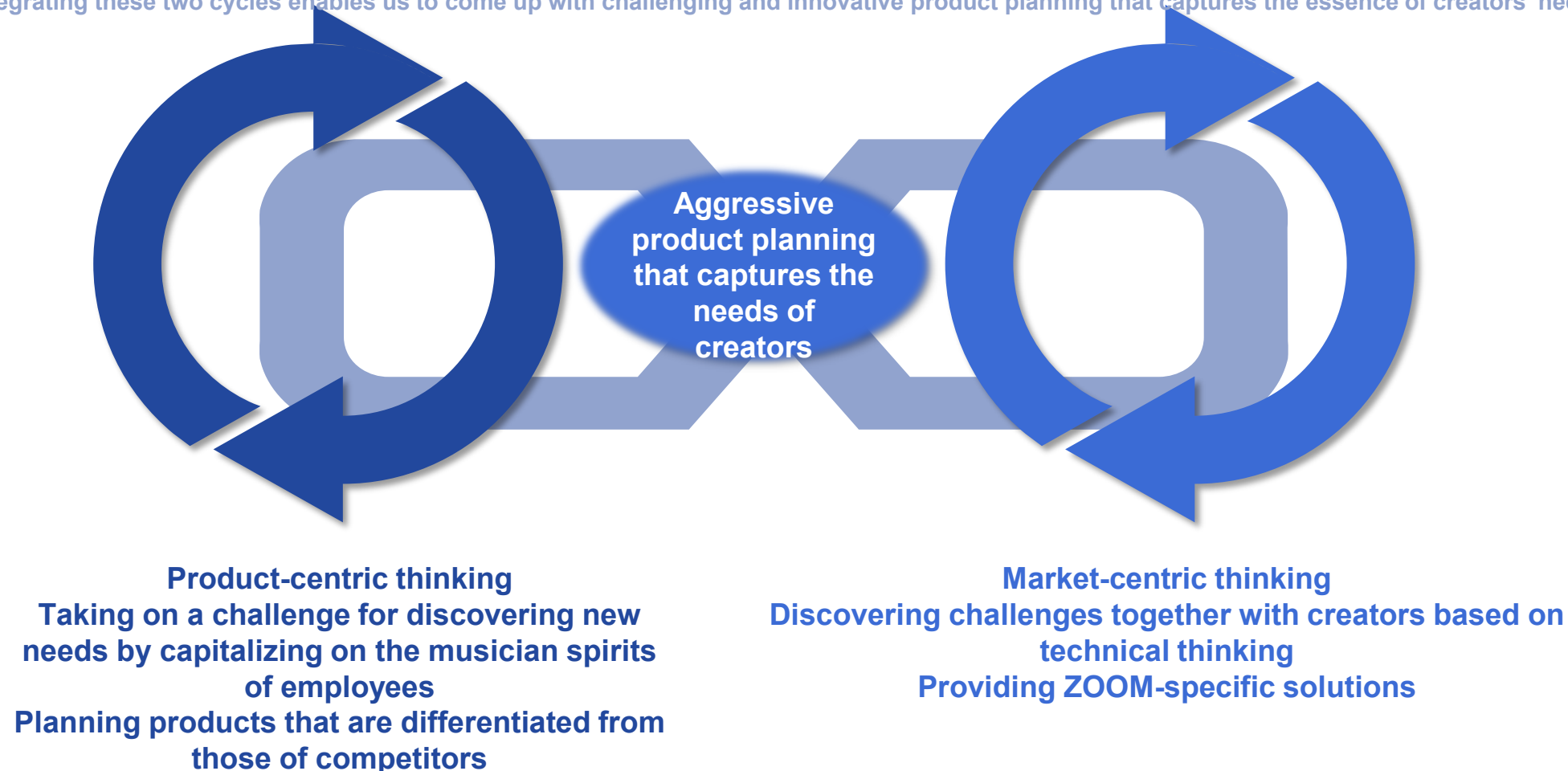
- Pursuit of quality
- Pursuit of cost-effectiveness
- Speedy development

Experimental trial and action for new business

- Introduction of the latest technologies (AI and IoT)
 - Development of software service
- Approach to areas we have not entered before

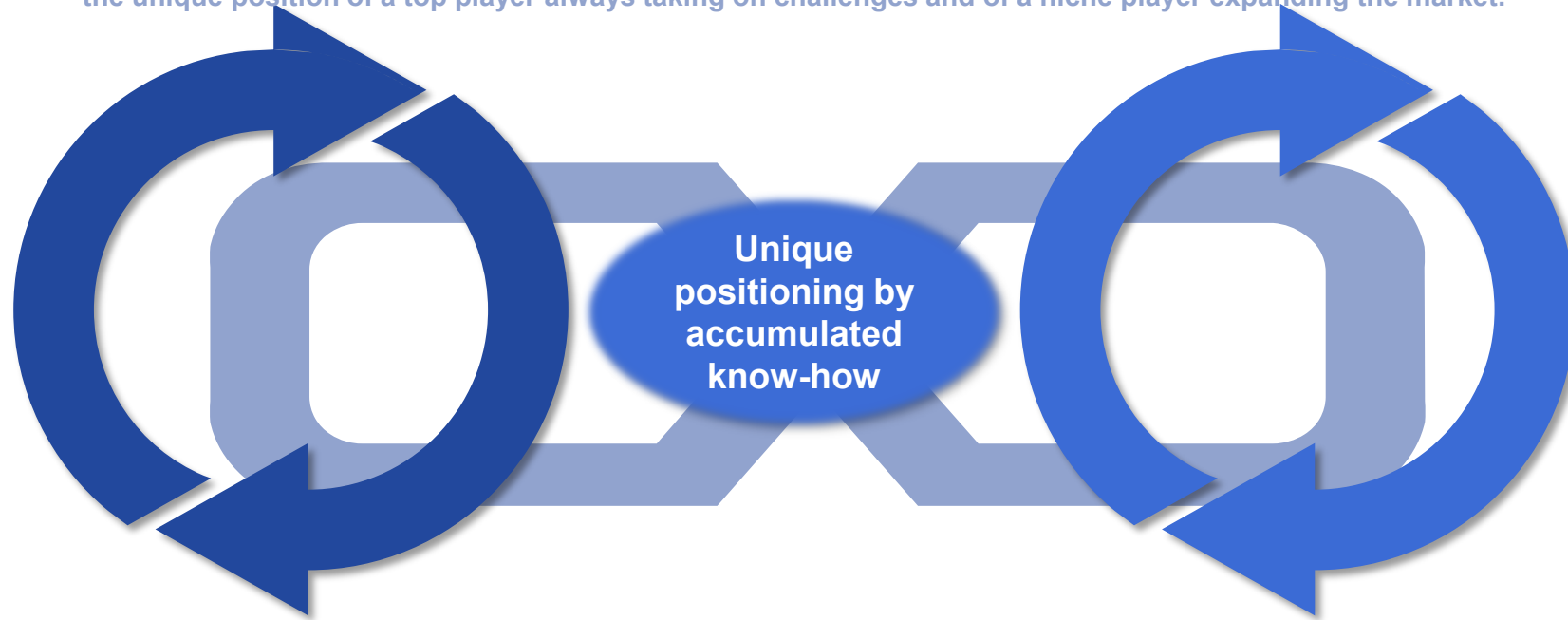
Connect the cycle of product-centric thinking and that of market-centric thinking

While product-based proposals have the potential to create new value, they can also create complacency. Conversely, proposing products that tackle specific market issues makes it difficult to differentiate one's products from those of other companies. Integrating these two cycles enables us to come up with challenging and innovative product planning that captures the essence of creators' needs.



Connect the cycle of strategies as a market leader and that as a market nicher

Integrating the two cycles that encapsulate the double nature of our Company, a top player in the field of recording equipment for creators and a challenger in areas other than recording equipment, puts us in the unique position of a top player always taking on challenges and of a niche player expanding the market.



Strategies as a market leader
Preparing lineups that realize the maintenance and expansion of our market share, as well as the expansion of the entire market, as the leading company of recording devices for creators (HAR/PFR)

Strategies as a market nicher
Product development that meets the needs of users or create new needs
Increase in profitability by acquiring a unique position through continued challenges

While promoting the expansion of sales areas and channels, strengthen the investment in branding

	Products in the existing categories	Products in new categories
Mature market	<ul style="list-style-type: none"> • Fostering a community Open a global forum to build close touch points with customers. • Establishment of a product ecosystem Develop service that maximizes the potential of products. • Limited sale of collaboration models in the ZOOM Store Collaborate with artists and apparel brands that are greatly supported by creators. • Strengthening of sales at physical stores 	<ul style="list-style-type: none"> • Improvement of the brand value Improve the brand value by entering middle/high-end markets through creation of new value. • Global market research Assign specialized personnel locally in order to capture the market trends of major countries as fast as possible. • Strengthening of connection with new creators Actively try to approach creators whom we have not reached yet to co-create value.
Emerging market	<ul style="list-style-type: none"> • Strengthening of marketing/sales in the Asian region Appoint a regional manager to strengthen market analysis and sales promotion. • Strengthening of brand management Build a consistent brand image globally while adapting to regional characteristics. • Expansion of multi-channel distribution Expand the measures for distribution via two channels of MI(Musical Instruments) and CE(Consumer Electronics) in one country. • Strengthening of online sales 	<ul style="list-style-type: none"> • Grasping challenges creators in emerging countries have Elicit potential needs that cannot be seen in mature countries to lead to the creation of new ideas. • Development of a top brand image Instill the image of a top brand in the relevant region through differentiated high-quality products and marketing strategies that meet the needs of the region.



Strengthening of Our Business Base

Our shared vision will reaffirm our strength and make our management base stronger.

Growth of core competencies through qualitative and quantitative expansion of product development

Product development

Personnel development

Strengthening of a development system	Increase the number of product development projects through proactive hiring of new employees and mid-career employees, development of outsourcing partners, development of ODM products, M&A, and other initiatives.
Improvement in the efficiency of product development	Pursue efficiency in product planning and proactive design standardization by setting up a working group for product planning in order to improve efficiency in product development.
Prior art development	In addition to the development team for regular products, establish a project team devoted to prior art development. Develop new products adopting the latest technologies, such as AI and cloud computing, and launch them into the market.
Accessible UI	Incorporate UI that is easy to use for anyone, including those who need visual aids and the elderly, into new products to be launched in and after 2024, such as a voice guidance function and a function for changing a font size.

Flexible development system	Establish a hybrid development system combining a project-oriented one and a matrix-oriented one. Push ahead with the optimization of operation to balance the speed-up of development and the offering of attractive product value.
Enhancement of strength	In order to enhance our strength of our employees who are creators as well, participate in the creative field actively to strengthen a sense of togetherness with people who are active in the field. Improve the essential quality of products.
Creation of leaders in a new generation	The key to product development is the existence of new leaders in a new generation who can share value with creators. Foster such leaders continuously through internal development programs and external programs, such as dispatching candidates to graduate schools.
Dissemination of philosophy	In order to disseminate the vision of the Fourth Midterm Business Plan, Evolution and Challenge, and empower every employee to contribute to this vision, we will implement internal training and an interview with the top management.

Promote the optimization of the whole corporate group and sound corporate management

Strengthening of supply chains

Strengthening of production capacity

Improve productivity by enhancing cost improvement through using a new EMS in Asia to create a competitive relationship with existing EMS plants. In addition, make logistics efficient and speedy by introducing a global HUB warehouse in Asia.

Improvement in the quality of production

Continue to aim for a defect rate of less than 0.1%. Adopt a new EMS with the ability of high quality board mounting and that will allow for a future increase in production throughout Asia. Continuously refine the quality improvement cycle based upon the manufacturing priority management manual.

Strengthening of component procurement

Improve the ability of procurement by narrowing down components strategically according to the standardization of electronic components and proposals by the procurement division, and strengthening partnership with suppliers through intensive purchase.

Risk management

Decentralize the production site in Asia with an eye on geopolitical risks, and at the same time, avoid future risks of labor shortage by reducing man-hours for assembly through improving design and automating inspection.

Strengthening of governance

Business continuity plan (BCP)

In order to formulate a BCP for ensuring the production and the supply of products for customers while protecting employees and their families in the event of a large-scale disaster, set up a committee to take the necessary actions promptly for that.

Business succession

Development of candidates for CEOs who will be responsible for the next generation in each group company so that the entire Group can grow sustainably. Formulate a successor development plan based on the current situation of each group company, and the implementation of the plan shall be monitored.

Diversity

Recognizing once again that ensuring diversity in human resources is important for the sustainable growth of the Company, establish an environment where every employee can play an active role, irrespective of gender or nationality, by the appointment of female directors, job rotation including overseas subsidiaries, and the promotion of personnel exchanges.

Promotion of DX Utilization of AI

Reduce the operational burden and pursue efficiency through further DX of back-office operations (attendance management, personnel labor management, financial affairs, IR) and the utilization of AI for customer support and manual creation in order to improve the operational productivity of employees and management efficiency.

SUSTAINABLE DEVELOPMENT GOALS

• ZOOM Group Foundation for the Promotion of Science

The ZOOM Group Foundation for the Promotion of Science established on July 1, 2022, was transformed into a public interest incorporated foundation as the public interest corporation authorization was granted by the Cabinet Office in September 13, 2023. In order to give subsidies to universities and public research institutions that contribute to Japanese manufacturing related to sound, music, and musical instruments, the Foundation provides financial donations continuously. [15 million yen in total/three years]

• Accessibility

In 2024, The Company released three new recorders with accessibility features for Blind, Visually impaired users can navigate these products menus with audible descriptions through the built-in speaker or headphones. The Company has also developed applications that support text-to-speech and VoiceOver. We will continue to develop products with accessibility so that all Creators can use ZOOM's technologies equally.

• Environmental friendliness

The Company will continue to work on the reduction of CO₂ emissions in transporting products and the design of eco-friendly packages that are conscious of going paperless etc. and discuss the reuse of products, such as the collection of end-of-life products and the direct sales of slightly imperfect products certified by the Company.

